

## **FISCAL NOTE**

### **HB 820 - SB 787**

February 26, 2007

**SUMMARY OF BILL:** Extends use tax exemption for property imported into the state to include personal recreational vehicles as defined in T.C.A 55-17-102 (20).

#### **ESTIMATED FISCAL IMPACT:**

**Decrease State Revenues – Less than \$100,000**

**Decrease Local Govt. Revenues – Less than \$12,000**

Assumptions:

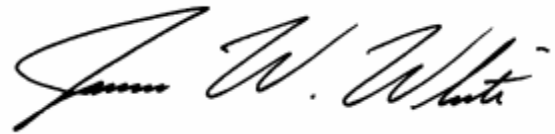
- T.C.A. 55-17-102 (20) defines recreational vehicles as a vehicular type unit primarily designed as temporary living quarters for recreation, camping, or travel use, which either has its own motive power or is drawn by another vehicle. The basic entities classified as “recreational vehicles” are camping trailers, travel trailers, and motor homes.
- Based on recent Census Bureau data, the estimated number of households migrating to Tennessee is estimated to be 4,800 per year.
- According to the Recreational Vehicle Industry Association, approximately 5.5% of households own recreational vehicles.
- Number of recreational vehicles imported into the state each year is estimated to be 264 (4,800 households X 5.5% = 264 recreational vehicles).
- According to the Department of Revenue (DOR), the average valuation of a recreational vehicle as defined is estimated to be \$9,000 each.
- The unadjusted tax base estimated to be \$2,376,000 per year (\$9,000 X 264 = \$2,376,000).
- According to DOR, the unadjusted tax base would be reduced at least 48% because Tennessee allows credits against any use tax liability for sales tax paid in the state where such units were purchased.
- Adjusted tax base is estimated to be no more than \$1,236,000 (\$2,376,000 X [100% - 48%] = \$1,235,520).
- Taxable value per unit is estimated to be \$4,682 (\$1,236,000 ÷ 264 units = \$4,682). Therefore, the single article tax would apply.
- Current state use tax rate is 7.0%.

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- Single article tax is 2.75% on any portion greater than \$1,600 and less than \$3,200.
- The recurring decrease to state revenues is estimated to be less than \$100,000 per year ( $[\$1,236,000 \times 7\%] + [\$1,600 \times 264 \text{ units} \times 2.75\%] = \$98,136$ ).
- Local tax is limited to that of the state's single article tax.
- The recurring decrease to local government revenues is estimated to be less than \$12,000 per year ( $\$1,600 \times 264 \text{ units} \times 2.75\% = \$11,616$ ).

**CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director